

*Clovel Childcare & Early
Learning Centres*



Submission To

Productivity Commission Inquiry

Childcare and Early Childhood
Learning

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1. Introduction

I've delivered early child development, care, and parenting support to families for 37 years. I own and manage eight centres located from North Western across to South Western Sydney, varying in size from 20 place (aged zero to under 3), to 54 place (zero to age 6), offering a total of 238 places.

My centres employ 48 full time and 9 part time staff, serving 339 families.

2. Structure of my submission

The Inquiry is investigating options for improving childcare regulation and funding. It wants evidence about what works well, and what is problematic.

My submission aims to help the Inquiry understand how National Regulations impact on the capabilities and flexibility of my NSW centres, and on their ability to compete, survive and grow.

Understanding the regulation and funding eco-system will be assisted by an appropriate framework to help sort through the complexity, not least the passionate but conflicting views of dedicated practitioners who mostly agree on the ends but differ on the best way to achieve them.

The structure of my submission reflects such a framework.

Because the Inquiry overlaps with Australia's productivity growth agenda, and because regulated LDC centres are an essential player in improving productivity growth, I've assessed Inquiry questions against the recommendations of Australia's leading expert on 'productivity' – the Productivity Commission. The 2012 *“Productivity policies: the ‘to do’ list”* has been particularly relevant and helpful.

3. Identifying and Fixing regulation problems - a guiding principle

The search for causes and solutions to 'problematic aspects' of the childcare Regulations can be considered in the light of what the Productivity Commission's then Chairman said in the 'to do list' was the *“most important thing of all”* for the productivity growth agenda - *follow “good process in formulating policy”*.

His crystal clear recommendation can not be (innocently) misunderstood:

“[what] is needed is an approach ... that embraces both drivers and enablers of firm performance, and is consistently applied. That in turn requires policy-making processes that can achieve:

- clarity about problems,
- reach agreed objectives, and ,
- ensure the proper testing of proposed solutions (including on the 'detail' and with those most affected.)”

My submission tries to show how failure to satisfy that good decision-making is the root cause of the regulatory problems generating affordability and many other problems for parents, providers, centre staff, and government:

- *There was not 'clarity about problems'*. Implementation is problematic because the Regulations address a factor which is *not* a problem needing to be fixed (quality), and do not give proper weight to what *are* the problems (affordability for parents, operational efficiency and flexibility, and costs for government).
- *Decision-makers did not reach 'agreed objectives'* with the people most affected. Extensive private sector evidence drawing attention to cost and affordability impacts was disregarded, along with our attempts to focus attention on the primary drivers of service-quality. More staff, enabling smaller 'class' sizes is not an answer in LDC centres, any more than in the formal education system. Teaching effectiveness is not the same thing as teacher qualifications. More highly qualified early childhood teachers cost more but are not more effective, as recent Australian evidence noted in the Issues Paper now demonstrates.
- *Decision-makers did not properly test proposed solutions*, either at a proper level of detail, or with the persons most affected. Impact analysis was used to muddy the waters, not clarify them. Certain parties were more concerned to hide likely cost and quality impacts, not base regulatory design on them. This has imposed a higher than necessary cost base on LDC. It has resulted in taxpayer money being spent inefficiently. It has created avoidable cost, for parents and for governments.

It is not too late to ensure fair implementation. Problems can (and should) be fixed by correcting what went wrong with the regulation-making. Problems caused by poor processes can still be overcome by proper processes, by following the 'to do' list. Doing so will enable taxpayer money to be saved without cutting the volume or quality of LDC services.

This can be done by identifying LDC spending which is generating little or no benefit, but causing avoidable costs. The Regulations are generating unnecessary regulatory burdens because the policy objectives of the Regulations could be achieved at lower cost to the affected parties. We need a process that will differentiate necessary costs, from costs that are unnecessary to the achievement of the regulatory objectives.

Important aspects of the Regulations are yet to become operational. If we are to avoid entrenching the problems, further implementation must become based on proper decision-making process. This is especially the case in New South Wales which has always had a large number of smaller centres, and which has always had preschool programs embedded in its childcare. In NSW, Long Day Care has always been long day preschool.

Some parties do not want that NSW history to be understood by policy-makers. Those parties are apparently not pleased by the *success* of Australia's mixed market model, and use their influence over regulation-making to 'fix' what they claim is a problem.

Human beings will always seek out ways to build and use influence over their governance and lawmaking system. That is just a fact of democratic life. Nevertheless, that human behaviour has resulted in childcare regulations which create problems for children, parents, providers, staff and governments.

So how should we deal with it?

As I see it, this cultural reality can be managed *fairly* in only one way – the way the Productivity Commission keeps recommending – proper decision-making.

I hope the Inquiry will adopt that as a guiding principle for its investigation and for its report on how to improve regulation and funding.

4. Government involvement in childcare and early learning

Compared to some other OECD countries, as the Issues Paper reminds us, Australia has a higher reliance on market provision of early learning and parenting support services. But Australian governments nevertheless provide considerable support to market operations as policy-makers, funders, and regulators, with some Australian governments still providing services, particularly preschool services.

The Issues Paper recognises that the main rationale for government involvement in ECEC is to enhance learning and development outcomes for children, and to generate broader social and economic benefits, particularly to facilitate greater workforce participation by parents.

This may be another guiding principle for the Inquiry. In my opinion, it is very important to recognise that a *primary* rationale for government funding and regulation is to *enhance early learning and development*.

Helping parents balance paid work with a well-functioning family is undeniably core business for LDC.

But workforce participation benefits arise *coincidentally* from how centres help parents build *their child's* capacities in learning, behaviour and health. Good operators get out of bed *primarily* because of their commitment to early child development and family support. Parent workforce participation is fundamental, but it is a by-product of the early child development that LDC centres help parents with.

Design of funding and regulation must continue to honour that fact, especially when considering other childcare models, where the focus is more on workplace participation objectives.

Bearing that overarching principle in mind, I believe a key objective for government involvement should be to sustain Australia's already world-class Long Day Care system, in part by protecting against unfair attacks on the viability of the private sector, supplying approximately 70% of the LDC services across Australia. Australia's demonstrably successful public private partnership is the most cost-effective system for government and tax payers. Privately-financed operators buy the

land, build and maintain the buildings, pay tax, and generate direct and indirect taxpaying jobs. At the same time, the Federal government helps families to cover the cost of *proper-quality* early child development and workplace participation support, along with the cost of helping to provide families with the good information needed to ensure well-informed, voluntary customer choices, needed to underpin a properly functioning market-place, needed to allocate limited resources efficiently, and helping to generate the desired improvements in well-being.

Hoping that government may want to protect Australia's successful, sustainable LDC model for early learning care and parent support, I mention here some reasons why I believe privately financed centres have difficulty remaining viable:

- 1) The failure of governments to ensure 'sensible regulation, sensibly applied'.
- 2) An unlevel playing field. The private sector must meet the costs of the same regulations and IR system as the community based sector, but has to pay company tax and payroll taxes, and commercial rates of rents or mortgages. In my experience, the traditional approach by thought-leaders in the non-commercial sector is to not only agree to but push for inadequately considered changes in regulations (which force up costs and reduce affordability without a commensurate increase in quality or value for money), and then pass those costs on to government and the taxpayer, including through the industrial relations system. Good for some unions, the community-based hierarchy, and others opposed in principle to private sector delivery; bad for child, parent, provider, jobs, taxpayers, and government.
- 3) The lack of a sensible, workable system to ensure there is not a glut of centres in a particular area, for instance, Lalor Rd, Quakers Hill in Western Sydney (five centres within a 150 metre stretch). There used to be such a system, and it worked. This system was introduced by the Howard Government and remained in place for two years. Any person wishing to build a centre could do so, as long as they met local and state government requirements. However, if the prospective Licensee wanted the families who were to use the centre to have access to Federal Government funding (Child Care Benefit), the prospective Licensee had to demonstrate a need in that particular area. I believe this system needs to be reinstated, to ensure centres go into areas of need only. This would go a long way to overcoming the all too frequent mismatch in supply and demand. The present lack of effective planning results in oversupply in some areas, and undersupply in others.

5. What role if any should the different levels of government play in child care and early childhood education?

Help the LDC sector fix a marketing problem

Poor quality regulation, reflecting poor quality decision-making, continues to happen partly because LDC has a marketing problem. Most Australians still see childcare centres as a safe place for 'child-parking'. Until the Australian public is properly informed about the true purpose and value of LDC, it will be easier for the design and implementation of regulation to be manipulated by those who can

influence regulation-making to advance their own interests, even at the expense of the public interest.

The private sector, by itself, doesn't yet have the resources to successfully mount the required marketing and communication campaigns to inoculate the public against dodgy regulation proposals, and to educate political-level decision-makers.

A key role for governments (truly interested in achievable social and economic advancement) should therefore be to assist in the resourcing, the design, and the delivery of that public education. The Federal Government's excellent '*Investing in the Early Years, A National Early Childhood Development Strategy*' began that process. It needs to be completed. Public misunderstanding is being turned around, but too slowly. Governments have started to get involved in this marketing exercise, but it can and should happen faster if Australia is to capture even more child-development, family support, jobs, and productivity growth advantages which Australia's world-class LDC systems deliver.

Stick with what works

All governments should be trying to build and then protect an intelligently subsidised, intelligently regulated, properly competitive market as an imperfect but still the best way known to deliver the correct levels of supply at appropriate levels of quality and affordability. That is the basis for providing genuine value for money. Australia's LDC system still has problems with *locating* supply, but generally already meets those above criteria.

The new Regulations weaken that model.

Private centres (try) to prevent poorly designed regulation, partly because they know that poor-quality regulation increases costs without a proportionate increase in value for money for families. When quality is not a problem, regulation to 'fix' it is dumb, dangerous, uncommercial, and damages the public good.

Observations about the role for government from an operational level

NSW ECEC Directorate staff (who have taken on 'quality inspection' as part of their regulatory function) should be advisors, supporters, mentors, champions, networkers and facilitators - not 'policemen'. The previous quality measurement system (QIAS) used specialist staff. The previous QIAS quasi-regulatory system was not perfect, but better than the new black letter law regulatory arrangements. Government should reinstate the previous specialist staffing model, or provide proper training to NSW staff.

It is appropriate for the Federal Government to oversee accreditation to help ensure sector-wide quality as they fund families who use the centres. Assessors should be our peers. The system should inform centres what they need to do to reach a higher quality level. The system must try to get away from this airy-fairy, subjective system, where vague and uncertain National Quality Standards are

expressed in law. This method doesn't work to measure or improve quality, because it doesn't work as law.

In its funding role, Federal Government should increase family funding via higher CCB and CCR to cover recent regulatory cost increases, but then, Federal Government needs to make sure that any future cost increases generate net benefits for the community, as demonstrated by proper decision-making processes.

The Commonwealth should also supply targeted funding to State governments to pay for the first Early Childhood Teacher in *every* centre, or reverse the requirement for centres with 25 – 29 places to hire degree trained ECTs. There are 1083 centres in NSW with less than 30 licenced places that were already suffering viability constraints that are now faced with, for the first time in history, employing expensive but not more effective educators in the form of degree trained teachers.

The Commonwealth should ensure that all federal money given to the states for ECEC is spent fairly and equitably between each service, and not predominantly to the non-private sector, or as a cost-shifting measure by the states to finance their preschools-in-schools system, or in community based pre-schools, or community based LDC. The spreading of grant money more evenly would create a more level playing field. The private sector must pay market rent. The community-based generally don't. Ditto for payroll tax, company tax, buildings, and indoor and outdoor maintenance.

Federal government should strongly encourage the States to keep a lid on regulations by following proper decision making process as set down by the PC, and in all State's law or policy, but typically not followed. All levels of governments swear faithful allegiance to proper decision-making as a way of avoiding unnecessarily burdensome regulation. *None* walk the walk. While the Treasurer continues to espouse that "business must stand on its own two feet" we in the private sector are being regulated out of business because the Commonwealth does not seem to want to fund families at a level that would cover the cost of delivering these onerous regulations, even though they were implemented without following Commonwealth or COAG best practice decision-making process.

If government wants to keep the present system, the Commonwealth will have to choose – either modify content and implementation of the Regulations, or stump up the money to enable parents to afford them.

6. What outcomes from ECEC are desirable and should be made achievable over the next decade?

I'm confident the Productivity Commission already understands the desirable outcomes, as do most of the submissions.

The challenge is not to identify those outcomes, but to help governments understand what needs to be done to identify the most efficient and effective means for achieving them.

As I see it, the desirable outcomes can be achieved only when decision-makers follow the right policy and regulation-making processes, described in many Productivity Commission reports and speeches, especially the clear advice to government in the “to-do list”.

If I had to choose just one desirable objective, it would be to teach all Australians about what LDC really delivers. Australia needs to understand what LDC delivers socially and economically, why proper-quality matters, what proper-quality looks like, how much it costs, and where to get it. Once that marketing problem is successfully addressed, a lot of other problems will fall away. Australia has a fantastic early learning and care system. Perhaps its biggest problem is that not enough families are yet using it, particularly families from vulnerable and disadvantaged backgrounds. This reflects the fact that too many Australians still see ‘childcare’ as something needed by *parents*.

7. International Models

I’m not qualified to comment extensively on service models in other countries.

The way particular countries choose to deliver and finance early child development and parenting support is very much an expression of their culture. Accordingly, it is very difficult to determine whether what appears to work in another culture may work in ours. My experience is that, even if a model appears to work in one place and time that does not mean it could be successfully imported.

My personal involvement with the apparently satisfactory New Zealand curriculum and early learning and care system is that it is not close to the quality standards applying in New South Wales, and does not match us for value for money. My grandson attended two centres over two years. In two years, he had only eight entries in his profile books. In New South Wales, Regulations require, and, importantly, parents who use us would expect to see 48 to 96 entries or observations, over a two year period, depending on the number of days of attendance per week.

The French system appears not to use parent co-payment to help ensure optimal levels of supply, or of quality. Furthermore, focusing on 3 – 5-year-olds misses arguably the most important period for child-development – for the both the child and for parents.

The Nordic system makes the mistake of thinking that home-based care can be as good, socially and economically, as regulated centre-based, play-based, group socialisation, learning and care, which necessarily exposes children to important social, learning and behavioural skills, at the same time as keeping parents at the centre of parenting.

In my opinion the Australian system of funding services through user-families (who then are free to choose their preferred provider, and free to change providers) is quite good.

It just needs tweaking by way of:

- increased CCB and CCR to cover the increased costs of service delivery generated via the introduction of the NQF. This funding increase should reflect the cost per age group of children: for example, double the CCB allowable hourly rate for under threes.
- increasing the hours and hourly rate for special needs funding to cover the hours a child needs and the IR costs of the educator,
- funding the first ECT in *every* centre, and
- to allow and ensure all disadvantaged or vulnerable children to have access to 5 days of early learning in a LDC centre per week, and to allow all of their parents to receive parenting support from centres and, in most of these cases, to assist in breaking generational welfare, by introducing funding to cover all fees or at least all but a small user-participation component of \$1 per day together with increased hours.

8. Evidence of Demand

I offer the following observations.

Demand differs across different Local Government Areas. For example, Blacktown has a higher demand than all my other centres. I expect this variation will continue to occur, because Blacktown has the highest number of young children in all of Sydney. (And yet Blacktown Council still can't make their centres viable. It's been reported that their 21 centres lose an average of \$75k each per year, even without commercial rents and no tax. So, how are providers like me expected to survive, especially with new regulatory and industrial requirements still in the pipeline?)

Demand from particular structures and groups

Demand varies across groups. In some respects, the numbers are increasing. This seems to be because many family types, household structures, and social groups and in all geographical areas, are increasingly understanding the importance (to their child) of early-learning. That does not seem to be happening yet at the baby age, which is actually when a greater degree of brain linkage and learning opportunities occur. It is mostly women who are returning to work or study who use baby care.

I expect all family types will require significantly more LDC in the future due to the need for more women to enter or return to the workforce. Families, particularly in Sydney, face increasing housing prices and escalating rents. More single women are enrolling in study to improve their prospects of gaining paid employment in a better paying position when eventually being forced off welfare. God help us in 2016 when the 2 year old ratio changes kick in – massive fee increases for families and 37.5% reduction in 2 year old licensed places and a reduction in licensed places overall, for the same reasons as the baby ratio changes.

There will be a drop in demand as fees increase to cover increased cost of service-delivery associated with the Regulations- partly because there will be no commensurate increase in value, to children or to parents. There has been a drop in days for babies as grand parents are being asked to provide care in the light of increased 0 - 2 fees increasing from January 2011 NSW ratios changes. Also 20% of baby places disappeared in NSW from January 2011 due to viability issues, including building design and room area, and the lack of available car parking needed to cater for extra educators.

Preschool programs are offered in NSW LDCs, so the '15 hours' proposals should not cause parents to withdraw. However, the first ECT in *every* LDC should be funded by state governments via federally targeted money if they insist on keeping the regulations forcing all centres to engage an ECT. This would be surprising considering the Melbourne University Research shows this is not necessary to achieve better results at school.

NSW have not allocated this Commonwealth money fairly. Rather they have allocated the targeted Universal Access money for ECTs to community-based preschools and non-private LDCs. This appears to breach relevant Commonwealth State Partnership Agreements. I ask the Inquiry to refer to CCNSW Submission at 3.2.3 for further info on this.

Likely demand from working families is a separate category. Working families require significantly more LDC because of work, plus better benefits. Working families with two parents working or studying, or a single parent working or studying, qualify for Child Care Rebate and all the children with stay at home mums do not get CCR even though the media coverage continues to report that they do get CCR. The whole 50% CCR should be paid to centres on behalf of parents, and not only the present 42.5%, considering that parents can receive the whole 50% in real time if they choose to have their CCR paid to themselves and not the centre.

A demand related issue - in light of the research evidencing that children do better with a good preschool program, and considering the immediate financial return to government of the CCB, all children of non-working families should have 36 hours of CCB, not 24, to allow them to access 3 days of play-based early learning.

Comments from Clovel Cottage Nursery, a 0 to under 3 yr centre for 20 places in Merrylands, Western Sydney:

- Most of the families that attend the nursery are parents who work or study, or are single parents. There are some families who don't have any family in Australia and would like their children to learn English.
- Working parents, single parents, and studying families need care due to the operating hours of business, university, and TAFE.

- Government makes it hard for families who have both parents working, studying and single parents - by putting the cost of living up – increasing the need to work to earn adequate incomes to meet the cost increases.
- Demand will continue to reflect the drop off in government subsidies. Government is not increasing the rate of parent funding as fast as increases in cost of living, or the costs associated with the regulatory changes.
- Care is normally preferred where the family is living, to make it easy to transport the child.

Because of affordability pressures, parents already cut days and or use multiple care arrangements - not good for child development continuity. Parents will cut days further or remove children altogether if fees continue to escalate as a result of the changes This defeats the purpose of the changes, i.e. to ensure all children have high quality ECEC.

9. Evidence on the effect of the different types of ECEC, including separate preschool programs on children’s learning and development.

The *amount of time spent* and the *age* of the child and how these two factors impact on learning and development outcomes

In my experience, children benefit most when they start preschool as babies to ensure they have stimulating activities and programs. This is also the right time to help parents understand what learning and health environments children most need

This is better accomplished with children under 2 years of age who should have 36 hours CCB to allow them 3 days minimum in the program

Thus baby care must be made more affordable, including by doubling the CCB for children under 3. They not only get the benefits of brain wiring, they also build up health immunity. Research now shows that children who attended LDC as babies also had lesser chance of getting leukaemia.

Extending the length of a school day – impact on child’s learning and development, impact on parent’s workforce decisions, other impacts

Who would want their kids at school from 7am till 6pm? – not me, and not those families who have their children with Clovel’s Before and After School care and for Vacation Care.

Children would not be learning more as they would become too tired. What Clovel offers (and what children need) is relaxed, interest-based, free play, and somewhere to do their homework if their parents require this to be done at OOSH. The service should reflect as much as possible a home environment, i.e., as if the child were at home with mum and dad.

LDC should be able to exceed their licensed places by at least 20% for OOSH - to allow continuity of care for the school children and to allow them to be with their

younger siblings before and after school just like they would be if their mum did not work. This used to be how the New South Wales regulatory system enabled this level of flexibility and integration. Slowly but surely, however, this well-functioning, child and parent friendly, economically efficient and effective model, has been slowly eroded by people with varying agendas who do not want the LDC model to succeed.

And guess what tool they typically use to achieve that objective? Regulations.

One thing I really want to stress again in this context. LDC in NSW has always delivered pre-school programs, *and* have always had that delivery tested and assured by (needlessly duplicated) State and Commonwealth quality assessment regulators.

LDC *is* long day preschool, but some agenda driven, ideological, but influential players do not want that fact broadly known. The design and introduction of national regulations has been used to obscure the extent to which NSW centres have always provided good quality preschool programs. Instead of making greater use of that efficient and effective integration, there are plenty of players who want to destroy it, or at least minimise it back to the level of market share (approximately 20% of the LDC market) it had when Prime Minister Hawke introduced intelligent amendments to the Whitlam government's original architecture.

The original 1972 architecture intelligently extended subsidies to parents for the first time, but made it a requirement that eligible parents were able to spend any subsidy *only* in government financed providers. In 1991, Prime Minister Hawke improved supply, competition, productivity and efficiency by changing the rules to enable parents who qualified for the subsidy to choose their preferred provider. He did so in the knowledge that, even in 1991, there were already regulations in place to ensure proper levels of quality. Ironically, those parties now covertly seeking to reverse the growth in private-sector supply, claim to be improving integration between learning and care. These parties were opposed in 1991 to the extension of subsidies that might be spent in the private sector. They are still opposed to it, as a matter of principle. The design and implementation of the National Regulations is just their latest in a long line of attempts to undo the good (and successful) microeconomic reform which Hawke and Keating governments introduced. The success of Australia's LDC model is apparently seen as a threat to their dominant place in the delivery of education and health services.

One reason why these parties actively resist proper decision-making process is because proper analysis would reveal these covert matters, meaning that politicians and senior bureaucrats would not be so easily tricked into poor quality regulation in the name of improving quality. I have witnessed this happening for years when sitting on government committees heavily populated with unions and the community based sector where I was one voice out of 20, even though the private sector represented 70% of LDC delivery.

10. Impacts on Workforce Participation

I offer the following comments on the issues identified in the Issues Paper:

Accessibility

Only an issue where land is relatively expensive. We have vacancies from Castle Hill across to Liverpool, not at Blacktown, 25-29 place centres are cutting back to 24 places, due to cost of employing full time early childhood degree staff for the first time in history, even though achieving great results for children with their diploma trained teachers.

Flexibility

Not an issue, at least not for operating hours - I have only had longer hour requests 11 or so times in 37 years and across eight locations since 2000. Labor Government trial has shown that it is not needed. The major issues with operational flexibility arise because of misconceived regulations concerning staffing ratios and staff qualifications. Regulations for 24 place centres require more teachers. Teachers are not available. Centres will need to reduce offerings, and hence flexibility to meet parent need.

Flexibility is about meeting needs of community. The Commonwealth government expects centres to open long hours to meet working parent need, but having ECT's for 11 hrs is inconsistent. An 11hr day (or 20% of operating hours) makes new regulatory requirements for ECT's unworkable and uneconomic. And that drives centres to lesser hours and lesser flexibility.

Affordability

This is THE major issue. If government is adamant about continuing on with these unaffordable (because they were untested) regulations, then the Commonwealth will need to allow mums, instead of losing their Tax Benefit Part B when they go back to work, to have it redirected as targeted money to assist with the cost of their higher-quality but higher-cost LDC.

There is no point having parents work for nothing, or very little, after paying fees. This is what parents are telling me is happening to them.

Quality

Always important in a general sense, but was not and is not a problem which required changed regulation to fix. The NCAC quality improvement and accreditation system showed that Australia's ECEC was high quality. This did not please those parties who do not want Australia's market model to be acknowledged as successful and effective. Success of the regulated and accredited market model annoyed those who oppose private centres as a matter of principle. Private-sector success in the QIAS system was argued to be evidence that the accreditation system was somehow defective. They used their influence in government and in regulation-making to push for a new accreditation system

that is deliberately too subjective. This has produced the desired result - that the private sector are now being unfairly portrayed as being of poor quality, by only receiving 'Working Towards' in extreme numbers.

It is important to stress that I am talking about centres that previously received High Quality 100% of the time in the NCAC QIAS. The results of this will be that people will conclude that the new Federal government is presiding over among the lowest quality ECEC in the OECD countries. This is not of the current government's making, but something it can fix.

The current quality measurement system is poorly designed, poor in the way it is assessed and rated, poor in its feedback to centres, poor because it does not tell centres what they need to do to reach any particular level. i.e. no checklist for centres to ensure they are doing what the law wants them to do, poor because it tries to use black letter law (because many of the standards are so vague and uncertain, I cannot see how it would withstand a legal challenge – I just wish I had the resources to test them in the courts). It is extremely subjective and there is no time for discussion at the end of the assessment and rating visit to allow centres to produce evidence to prove they are actually doing something they may have been marked down for not doing.

How parents trade off these aspects.

Parents *will* travel for a high quality program. A parent living on the Central Coast travelled roughly 180 kilometres to and from Merrylands 2 days per week for 2 years so that her third child could have the early learning experience that her two older children had experienced at Clovel. This was after she had searched on the Coast and believed she could not find the equivalent of Clovel.

Increased workforce participation by mothers, and the realisation of the importance of an early learning program for their child, even from a young age, has each increased demand for LDC child care.

10. Availability and Cost of LDC

Detailing responses to growth in demand is complex. I hope the following will assist.

A key barrier - restricting expansion

Council planning regulations unduly restrict growth – Parramatta won't allow centres in Residential (R2) areas, only in areas surrounded by flats, apartments and town houses (R3 and R4), and restricts the number to 75 licensed places.

Fairfield restricts the number to 40 places and a provider cannot buy the land next door to her current centre and build another centre even if there is demand. The centre can only be built if it is being licensed *to a different provider*.

The extent to which parents experience difficulties accessing ECEC:

There is difficulty for families trying to find a baby place (under twos) as the cost imposed on baby care as a result of the NSW Regulatory changes in Jan 2011 has pushed centres to reduce their numbers or not service babies. In my centres, there has been a loss of 20% of baby places from Jan 2011 - see my case studies below. From discussions with colleagues, I am aware that they also lost 20% of their baby places.

Importantly, this is an indication of what will happen with 2 year old places if the Commonwealth does not put pressure on the states to defer or scrap the 2 year old ratios changes, due to come into play in Jan 2016. I spoke to members at regional meetings in the last few weeks. They all say 'I have a 2 year old room, built to take 8 two year olds. When the changes come in I will have to reduce to 5 places (a loss of 3 places) as I cannot fit 10 two year olds in the room.

There is not much if any difficulty finding 3 - 5 year old places, except maybe in the inner city, the Eastern Suburbs, or on the Lower North Shore.

How parents choose which ECEC to use, and how they identify vacancies:

- Discussion with friends
- Referrals
- Research on the internet
- Call up the centre, have discussion about what they are looking for and if the centre can offer same. If so, make an appointment to come in to the centre for further discussion with educators about their needs and the care and program offered, tour the centre and to have an orientation for their child. Then enrol with a specific starting date.

How has sector changed cost/pricing

Greater than traditional fee increases especially from 1st January 2011 with the baby ratio changes in NSW from 1 to 5 down to 1 to 4.

This has caused loss of places for babies to the tune of 20% loss of places as rooms are designed to take groups of 5 not 4; eg, a room for 10 babies now only can cater for 8 babies.

This has caused some centres to stop catering for babies at all due to viability issues.

This is especially an issue for the 1083 small centres in NSW with less than 30 licensed places as they do not have the economies of scale to cover these increased costs and lack of income from the 20% cut in baby places.

Baby places generally were cost neutral or not profitable; centres only had them to meet the needs of their community and to act as a feeder for the 2 year old room.

In Jan 2016 this situation will apply to the 2 year old age group as the ratios go from 1 to 8 down to 1 to 5. I recently had a get together with some colleagues and asked them what they would be doing in Jan 2016. They all said they would have to cut their numbers not only of two year old places due to the design of their buildings and rooms but this would also mean a cut in licensed places overall as it would not be viable to employ another educator for 3 children to fill the room designed for 8 children.- The important thing to note here is that from Jan 2016, the 2 year olds will not be viable either, just like the babies were not viable at 1 to 5, and are not viable at 1 to 4. Some centres will be forced to cut out their baby feeder places and make the 2 year olds the feeders to the 3 year old room.

This will be a huge issue especially for Western Sydney as the parents will simply not be able to afford the fee increases necessary to continue to keep the centres open. Parents will be forced to withdraw their children or to cut their days. Or leave work altogether. Based on speaking with parents, this will have huge implications for families. Without affordable LDC, they cannot work and without work they cannot afford to pay rents or mortgages and other basic necessities.

Another costing issue is that, the whole 50% should be paid to the centre on the parent's behalf and not only the present 42.5%. The parent can get the whole 50% in real time if they chose to have their CCR paid to them and not the centre.

Oversupply

Oversupply, especially in the West of Sydney, is a different problem and reflects a lack of *any* appropriate control, let alone constructive planning. There needs to be a reintroduction of the Howard Govt Planning Model where anyone could build a centre anywhere if they met local govt and state govt requirements. However, if they wanted to access Federal Gov funding for families, they had to satisfy the decision-makers that there was an actual need in the area to get this funding (CCB and CCR). This system worked.

One example of oversupply - in Lalor Rd Quakers Hill there are five centres within a 150metre stretch.

Key barriers inhibiting expansion

Cost and lack of stability are the key barriers to expansion – especially cost of land and buildings and ongoing viability issues, and the ever moving goal posts of untested regulations.

To build a 40 place centre in Lidcombe, Sydney, would require the purchase of at least 2 houses at a cost of \$800K each plus \$60K for demolition and removal plus \$1.35M to build and equip (as per the Rudd/Gillard Government figures for the 35 centres they funded to be built on school grounds) making an upfront cost of approximately\$3.01M.

It seems that the Waverley council's new Ebley Street centre in Bondi Junction cost \$150,000 *per place*. It seems this was funded by Commonwealth grants and, I suspect, State government grants as well. This creeping grants system was abandoned by the Labor Government 25 years ago as a waste of taxpayer money.

One aspect that certainly has not been tested is the ability for centres to be refinanced by their bankers. Every year centres are required to inform their bankers of occupancy, licensed places, financials etc. Thus, when, after January 2016 I inform my bankers of my loss of licensed places due to the design of my buildings and the size of my rooms etc and the subsequent loss in contemporary income/profit, the valuation on my centres will diminish along with my ability to refinance my loans and consequently keep my centres operating, remain in business, keep my 50 or so staff in a job, support hundreds of children in their early learning and care and their families in their work and study commitments.

I ask the PC to do whatever it can to ensure testing of the above is carried out prior to January 2016 and if the private sector is put in jeopardy, do whatever it can to advise against the coming two year old ratio changes.

There is a huge practical problem that is never discussed - the unavailability of car parking space to allow expansion. I've been unable to meet extra demand for two of my centres because no land was available to expand car parking spaces. Come 2016, many centres won't be able employ extra staff, because there is no extra staff car parking. So, they will be forced to reduce child numbers. This whole thing needs to be investigated. Very often, the car parking rules themselves are inappropriate, because they were not properly tested in the first place. Even if sometimes appropriate, they need to be reviewed in light of the supply problems.

The instability in the sector is in my experience very much a reflection of the ever-changing regulations (based on -policy based evidence rather than evidence based policy, and designed to meet the philosophy of those pushing for ever more rigorous regulations). This inadequate approach to regulation-making results in a system which pays no respect to the design of the existing buildings - which were built specifically to meet the regulations of the day. This would be understandable if the quality or safety being delivered in those buildings was inadequate. But it was not inadequate, as demonstrated by the rigorous QIAS quality improvement and assurance system.

Another key factor is the misunderstanding as to the real drivers of service-quality. It is not the number of, or qualifications, of educators. It is the quality of the interactions between those educators and children that gets the best development outcomes. But when that is not understood and reflected in regulations, inevitable but needless cost problems arise, seriously inhibiting flexibility, efficiency, and growth opportunities.

Another important inhibiting factor is the inadequate growth in parent subsidies to cover the cost of ever escalating, ideologically driven, untested government regulations.

11. Flexibility

Operating hours, and charging practices – would you like to be able to charge in hourly blocks?

NO - centres will not be able to fill the vacant hours in that day so would need to charge the same for the blocks of hours as for the whole day

Labour costs are THE greatest outlay for centres. An IBIS report of February 2013 shows that labour cost is 70% of LDC turnover. And remember, this is before the main parts of the new staffing requirements become operational. The LDC sector is facing a claim before Fair Work Australia for a \$10 per hour pay rise. It will be decided probably about the same time as the 2 year old ratio changes come into play. God help families and providers then.

What would you like to be able to do that regulation inhibits or prevents?

If government wants to maintain existing places or even expand them, then it must fix silly regulatory requirements dealing with space. These requirements have grown over time without logic and without proper testing. The available amount of space per child should be returned to 2.5 sq metres per child indoors, and it should be cut to 5 sq metres per child outdoors to allow centres to take more children to alleviate the shortage of licensed places particularly but not limited to children aged below three years.

Ratios should stay at 1 to 8 for 2 year olds until the Federal government can afford to fund the changes.

NSW must be allowed to have the same benefits as the other States. NSW degree-trained Early Childhood Teachers should be allowed to be replaced by Diploma trained educators for up to 12 weeks or three months if the ECT is off work as is the case in states other than NSW.

Supposedly 'targeted' Federal government funding to the states must be spent on the first ECT in *every* centre, whether private or community based. Funding at the moment is going only to non-private centres in NSW – in breach of Partnership Agreements between the Commonwealth and the States.

Centres under 25 places should only need to have an ECT for 8 hours per day as this is the magical number of hours that a centre must open to be able to access CCB and CCR for families. Thus those centres that are doing what the government wants by opening longer hours to be more flexible to meet the needs of families, will force those families to face greater costs due to opening 11 or 12 hours per day thus causing them to employ an ECT for 11 or 12 hours per week instead of 8 hours per week.

Flexibility will be reduced in many 25 -29 place centres as they cut their licenced places back to 24 to save them and their families the outlay of employing a more costly but not better degree trained educator, and getting rid of their diploma

trained educator, even though the most recent Australian research demonstrates that diploma trained teachers get better school education outcomes.

What advice does the Productivity Commission have for licensees who now have to tell their high-quality, experienced diploma-trained staff that they now will not be able to have a full time job and that they will need to go onto part time work?

If we only needed an ECT for 8 hours per week, we could in many cases have the ECT take the place of another educator who would have an RDO

This would of course cost more for families as the ECT would be replacing a trainee, a Cert 111, or a diploma person, but at least it would soften the blow a little and would help us to keep our great diploma trained in full time work, for it is they who will have their hours cut.

I have been in this sector for 37 years and after Jan 2015 will not be able to be a staff member counted in my ratios as I do not have any formal qualifications – this is ridiculous, especially when bearing in mind that ECEC does include a ‘care’ component in it – it is not only ‘early education’.

12. Services for additional needs children

Funding for 5 hours for an extra staff member for special needs children is grossly inadequate considering the centres are open 11 hours per day and in many instances the children are there for the whole time. The funding should be provided for the number of hours that the children with special needs attend.

The dollar amount for this funding is grossly inadequate. It comes nowhere near the dollar amount per hour that we have to pay the person employed to be with the special needs child. Neither does the funding cover workers comp, super, RDOs, annual leave and special leave. This all comes out of the operating budget of the centre and pushes the cost of care up for all families

It should be mandatory for families to consent to having their child professionally assessed if a regulated centre has rigorously monitored the child and, after evaluation and discussion with other educators, the educational leader, the nominated supervisor and management, feel the child has some sort of learning difficulty or behavioural problem that needs to be addressed if the child has any chance of entering ‘big school’ in optimum condition for that child.

My centres, and lots of others, help special needs children. Eg, Billy (name has been changed to respect child’s privacy) is autistic – after being with us for two years (and me paying out of my own pocket for an aid) Billy was accepted into a mainstream school.

A boy, diagnosed with autism, spent 3 years with us and now in a mainstream school. The mother is asking for the diagnosis to be overturned.

The needs of disadvantaged or vulnerable children are not being met under the current system of funding because children whose parents are not working or studying only get 24 hours CCB and do not qualify for 50% CCR.

Vulnerable and disadvantaged children should be fully funded by the Federal govt, or only pay a peppercorn rate of \$1 per day, to ensure they have access to quality early learning programs to give them the best start possible, to aid in Australia becoming a smart country and in increasing long term productivity, lessening mental health issues, lessening generational welfare, lessening juvenile delinquency, lessening prison dependency, creating a much better social fabric for our great nation by having these children grow into tax paying, productivity, and GDP enhancing adults.

Assessment for vulnerability and or disadvantage should be the responsibility of the nominated supervisor, educational leader or the provider to ensure children do not need to be assessed by a government department and become a possible client of the dept and wear that stigma for life - the child should not be forced to wear the label 'at risk'

Mainstream regulated LDC services are already well equipped to care for, develop, and educate disadvantaged and vulnerable children, and support their parents. It is now beyond doubt, introducing policy that would allow these children to access LDC for 5 days per week will return large net benefits to their community and the nation.

Key factors that explain any failure to meet these needs is always and only 'money'. – These parents can't afford to pay any more, so the Federal government should make ECEC free, or a peppercorn rate of, say, \$1 per day so these children can attend five days per week. The change for the better in these children and families would be incalculable.

I share an example of how this lack of funding can affect disadvantaged/vulnerable children.

We had 2 children at one of our centres who were being funded by DoCS as the family were having difficulty coping with the children being home seven days a week. All was going swimmingly with Mum and Dad and the children, and our educators were also helping the parents with development, health and nutrition and general parenting skills. Then DoCS decided not to fund the family anymore because DoCS had even more pressing clients. Result: Parents could only afford 2 days ECEC so had children at home 5 days out of 7. They could not cope and now DoCS have taken the children from their parents and put them into foster care. Not only have they now lost their parents, these beautiful children have been taken out of their last place of stability - our LDC centre - as the foster carer lives too far away from us.

What do you think should have happened here? What really are the policy and regulatory objectives? Shouldn't CCB cover the cost of care for these children to keep the family together? Wouldn't this be less than the money that is being given to the foster carers? These beautiful children are now at greater risk of ending up on the scrap heap. Why? Because there was not enough money to ensure they could remain in early learning *and* in their family environment.

Because ‘money’ will always be a limited resource, it is crucial that the costs of supply not be unduly inflated. But costs of LDC supply are being unduly inflated by poor quality regulation-making resulting in poor quality regulations resulting in avoidable costs being built into the price, thus rationing the services which DoCS would otherwise be able to help provide.

One way, and perhaps the only way, to fix this devilish cost/price/supply problem is to *insist* on proper quality decision-making.

13. Special Needs Cost

The costs associated with servicing special needs children is covered generally in the preceding answer.

However, there are the other “special needs children”. Those children that don’t “look” or “act” special needs but display poor quality behaviour. In my 37 years in childcare I have not known a naughty child but many who are either bored, sickening for something or have an “issue” of some kind. Then there are those who have difficulty achieving academically. Both of these categories of children require early intervention to prevent long term underachievement, poor self-esteem, poor sense of self-worth, etc. leading to bullying, welfare dependency, alcohol/drug dependency – shattered lives and a burden on society. Some examples of low levels of academic achievement I’ve witnessed which could have been prevented if early testing had been in place:

Child No. 1 was eight years old, and a low achiever with a poor sense of self-worth and self-esteem by the time it was ascertained he was actually experiencing a degree of deafness. He is now a father of 3 children who together with his partner suffer greatly as a result of him turning to alcohol for solace.

Child No. 2 has an IQ of 142 but was having extreme difficulty with maths by year 5 that no amount of tutoring could alleviate. Child was assessed by educational psychologist who referred child to an orthoptist and ophthalmologist who tested then prescribed a variety of treatments one after the other as well as glasses – this child is now in year seven and doing well.

Child No. 3 could not read at almost 9 years of age. Parents took child to educational psychologist who tested the child and found some neural pathway issues either hereditary or from traumatic birth. Child is still attending educational psychologist fortnightly two years on. Child needs to be taught in a different manner. Child can now read and loves reading books, showing maturity, high self-esteem, confidence and sense of self-worth.

Child No. 4 displayed poor behaviour at our centre. However, the parents refused to have the child tested, years later when the child was 8 years old I received a phone call from the mother in tears saying “I need help and I know you will help me”. The child had taken a knife to a friend in anger and had attacked another friend with a golf stick. I advised the mother to see an educational psychologist who test the child and again referred the child to an orthoptist and ophthalmologist who found muscular

issues with his eyes, set a series of exercises, prescribed glasses. The child is now an adult who has just completed an apprenticeship.

Why am I telling you all this? Because had these children been tested at 4 they would have had all these issues addressed and the children's confidence, self-esteem and sense of self-worth would not have been shattered. Because these children are the lucky ones as their parents were not prepared to let their children fail. These parents had me to advise them, took that advice and their children will have their confidence, self-esteem and sense of self-worth intact, which will allow them to become valuable members of society and not end up on welfare or in the juvenile or prison system. But not all parents or grandparents can afford to pay for this treatment. How to solve this problem for all children and for Australia as a national? Mandatory testing of all children at 4 years of age. Put a caravan type system in place to visit all ECEC centres nationwide. These caravans could be set up with an educational psychologist, orthoptist and ophthalmologist and hearing professionals on board. Yes this would cost money in the short term but common sense tells us the return through savings on remedial education, bullying, juvenile and prison systems, welfare dependency, etc. would cancel out this cost. I ask the Productivity Commission to recommend a cost benefit analysis be carried out on this "caravan" recommendation.

I feel so passionate about this I am currently working with an educational psychologist with a view to having developmental screening done on all children who attend Clovel centres at an affordable cost. Melissa Keir of Aspire has written a letter of support for national developmental screening (attached) to be submitted as part of the Clovel submission.

14. Regulation

The way my staff and I see it is that there are no benefits for children arising out of the NQF regulatory changes. This is because we've seen babies have their days of early development and learning cut back with the ratio changes for babies in January 2011 so we know that in 2016 particularly, the fees will go through the roof with the implementation of the ratio changes to 1 to 5 for two year olds, and the hike in salaries out of the current Fair Work case. Coupled with our frequent discussion with families, we know children will have their days cut or they will be removed from centres as the parents will simply not be able to afford the fees to cover the cost of these increases.

Professor Michael Keane's work shows how children will suffer as a result of these onerous/costly regulatory changes. Children will be pushed out of our centre based learning into backyard or other informal care with a likely resultant diminution of their IQ results by 3.5% per year. This research is considered in more detail later in this submission.

I have completed an exercise, attached, that shows how much the fees will rise in dollar terms for the families when my fees are increased by 20%, the amount needed to have any chance of covering the increased cost of service delivery. Couple this with the 2010 Federal Treasury Working Papers, and it can be seen how productivity will suffer as a result of such a great loss of working hours at .07%, and jobs at .03%, for working women with young children for every 1% child care fees increase.

The Regulations are stacked against centres with 29 or less children. There are 1083 of them in NSW and we are now being forced to employ degree-qualified ECTs even though Melbourne Uni research makes it clear that early learning programs delivered by Diploma trained teachers achieves better outcomes/scores for children in their 3rd class NAPLAN tests. This research is considered later in this submission.

A Californian experiment (costing millions of dollars) to reduce class sizes was shown, 10 years later, not to have achieved better outcomes for children. In fact they went backwards, demonstrating again that it is not the *number* of educators that make the biggest difference. It is the effectiveness of the teaching/learning, based mostly on the quality of the interactions with the children that kicks the goals.

In my centres I will be cutting the number of baby places and cutting the number of 2 year old places. I will not necessarily be able to replace those places with 3 to 5 year old places due to the design of the buildings which were deliberately designed to meet the regulations that they were licenced under. We can't simply move a wall. My 8 place 2 year old room will now be able to cater for only five 2 year olds, causing the centre to lose 3 x 2 year old places, and 3 places overall

Case Study for a 29 place centre

I have a 29 place centre consisting of 2 rooms. It was designed to take 5 babies, 8 two year olds and 16 3/5 year olds.

As a result of the Jan 2011 baby ratio changes the centre took 4 babies, 8 two year olds and 17 x 3/5 year olds. a drop of one baby place.

After the Jan 2014, with the intro of having to employ an ECT, the centre now has become a 22 place centre offering 4 baby places, 8 two year old places and 10 x 3/5 year old places - a drop overall of 7 x 3/5 year old places.

In Jan 2016 this centre will become a 24 place centre with 4 baby places, 5 two year old places and 15 x 3/5 year old places.

20 place baby centre 0 to under 3 years

Prior to Jan 2011, this was a 20 place centre catering for 20 babies and needing four educators and ensuring a Diploma trained educator was on the premises whenever there were children in attendance

In Jan 2011 this centre was forced to reduce its baby places by 8 per day and take 8 two year olds instead - to avoid employing another educator due to the change in baby ratios. This employment choice was not done for the sake of it. The economics made the employment unviable.

This created a loss of 8 baby places at a time when baby places are in short supply and mothers are being prevented from returning to work after the birth of their child as they cannot find baby places.

From Jan 2014 this centre must employ an ECT for 11 hours per week (20% of its operating hours)

This has forced me to cut the hours of work for my Diploma trained educator by 11 hours per week thus forcing her from a full time position into a part time position. I don't know how long she will be able to stay on under those conditions as she has her life to lead and her bills to pay and she needs a full time job to cover her requirements.

25 place 2 to 5 place centre

This centre catered for 16 two year olds and 9 x 3/5 year olds

From Jan 2014 this centre has become a 24 place centre as the parents cannot afford to pay for a full time ECT as there are no economies of scale in smaller sized centres to cover such increases.

This has forced me to put my full time Diploma trained educator onto part time work, down from full time work with a loss of 11 hours per week in time and salary.

I have also cut the number of 3/5 year old places by one.

From Jan 2016 this centre will become a 24 place centre offering 5 two year old places and 19 x 3/5 year old places.

This means a loss of 11 two year old places as parents will not be able to afford the extra educator required if I keep 15 two year old places.

30 licensed placed centre only ever operating at 29 as parents cannot afford to pay for the ECT

Till Jan 2011 this centre had 5 baby places, 8 two year old places and 16 x 3/5 year old places.

From Jan 2011 this centre has 4 baby places, 8 two year old places and 17 x 3/5 year old places.

A loss of 1 baby place when baby places are so scarce.

From Jan 2014 this centre has cut its number to 22 places of which 4 are baby places, 8 are two year old places and 10 are 3/5 year old places - a loss of 8 licenced places or 7 operating places for 3/5 year olds.

From Jan 2016 this centre will cater for 4 baby places, 5 two year old places and 16 3/5 year old places.

This will mean a loss of 3 two year old places but a gain of 3 x 3/5 year old places.

So, overall, with the ratio and qualification changes in the NQF there will be a loss of 5 operating places of which 1 will be a baby place, 3 will be two year old places, and one will be a 3/5 year old places.

There is a loss in many areas for no benefit as children will be forced into backyard care as a result of increased and unaffordable fees which will not totally surface until Jan 2016 with the intro of the ratio changes for two year olds.

The costs will be:

- Increased fees for families
- Less days in early learning and care centres for children
- Full time diploma trained educators forced onto part time work when they lose 11 hours per week of their time to an ECT in centres with 24 places or less.
- 25 – 29 place centres will be forced to cut their numbers to 24 in many instances as they will not be able to afford a degree-trained teacher and stay afloat.
- Loss of places in all age groups but particularly for two year olds (because of the two year old ratio changes taking place in Jan 2016) when 37.5% of two year old places will disappear due to building design and unaffordable fees for families, as well as the lack of car parking space for extra staff members.

15. Workforce Issues

Are requirements associated with the subjective aspects of the NQS clear to service operators?

These aspects are clear to *no one*. Educators often have no idea what they need to do to actually meet a particular assessor's particular interpretation of quality, or what to do to get to a higher level of quality in the eyes of particular assessors. My educational leader of 17 years, upon receiving a rating of 'working towards' burst into tears. When receiving a rating of 'meeting', she looked at me with a stunned expression exclaiming "I simply don't know what else they want us to do to be rated as 'exceeding'". Note here, under her and my tutelage, our centres have received 'High Quality' in *all 24* QIAS validations we have had. Can the PC smell something fishy here?

The document is written in sentence/paragraph form but is not direct. I find it difficult to explain, but with the QIAS system there was a check-list; centres would look at every dot point and analyse if they were meeting that dot point and if so record against it how they were meeting it. If not meeting it, research how to meet it and then meet it and record how - next to that dot point. Thus a centre knew exactly where it was in relation to the document at large.

If governments wish to keep the current system, there needs to be a 'check list' on what to tick off, to show that you are meeting each individual dot point, and, in turn, meeting what particular level of quality.

They also need to introduce an hour at the end of the assessment visit for the centre to go over the document and see where they have been marked down and then be given another hour with the assessor to show further evidence as to why they actually did meet particular dot points and have corrections made on the spot by the assessor.

The turn around for the result must be shortened as assessors are making decisions on the level of quality attained weeks after visiting the centre and after doing assessment and rating visits at a number of other centres in between, thus diminishing their ability to remember everything from the assessment day and consequently deliver a fair rating.

The titles 'Working Towards', 'Meeting' and 'Exceeding' need to be scrapped and a return to the titles 'Satisfactory', 'Good Quality' and 'High Quality' should be implemented as this is a clearer description for families

The aspect of the system whereby a centre can have a number of 'meeting' and 'exceeding' ratings and only have one 'working towards' rating but be rated overall as 'working towards' is a total misrepresentation of the overall quality of the centre.

If the checklist type system of old was reintroduced it would be less time consuming to award a centre a rating of exceeding (or high quality if commonsense prevails). Bearing in mind that, at the rate centres are being assessed and the number of them receiving working towards ratings it will take an extraordinary number of years to actually rate every service – hardly an acceptable situation for a quality assurance program

Examples of how the NQS rating system does not work fairly

- Getting marked down to a rating of 'working towards' because an educator asked a special needs child to sit with her and join in with the continual group story, instead of letting him walk out the door.

This instruction incurred the disapproval of the assessor, presumably on the basis that children must not be directed to any particular activity.

The educator's reason for asking the child to stay with the group was that all educators were inside the building doing their small group activities, and we have been working for two years in the area of inclusion with this special needs child as he has difficulty with socialising and inclusion. Bad luck. As there is no provision for discussing these issues at the end of the assessment visit 'working towards' it is.

- Another example of how the rating system does not work fairly is being marked down to 'working towards' for the Management Quality area. This

beggars belief considering Clovel is so keen to ensure all management aspects of the business at all levels of the business is top notch for all concerned. It has engaged a world class business coach as its advisor, coach and trainer for upper management, educational leader, nominated supervisors and certified supervisors in all areas of the business from upper management to centre operations and documentation.

Just because I pay for good advice does not prove good practice. I accept that. But I don't see how a government child care regulator can be better placed to assess management quality than experts in management, and those who have done it successfully for 30 plus years.

How could this effort possibly be only 'working towards'?

- At another of my centres the assessor spent the whole day raving about how wonderful the centre environment was and how peaceful and how relaxing it was for the children and what a peaceful learning environment it was only to rate us as 'meeting' even though she had not looked at all the relevant paperwork which was offered to her many times throughout the day, and which was relevant for her assessment.

I do not ask the inquiry to investigate, or take sides. I am simply pointing out how the system works unfairly, and is hugely subjective.

Some further illustrations

- We were told we were in breach of the law because we did not have the licence approval and provider approval displayed *on the notice board*. We have them displayed in the office, where all the parents come to pay their fees and where it is very clear for them.
- We also got into trouble because we did not have the educational leader and my (provider) contact details in *both* of two rooms, even though this was on the parent's notice board where the parents sign their children in and out each day.

Key concerns

The system is too subjective. There is no check list or other guidance to guide you to a higher level; there is no designated time at the end of the assessment and rating visit to discuss or show the assessor why you should have a higher rating; the assessor has weeks to decide on the rating and this is done after the same assessor has visited so many other centres to do their assessments so could not possibly remember all she needs to remember to give a fair and equitable rating; then after all of the time the assessor has to do their assessment and rating, centres are only given a short time (2 weeks) to prepare their paperwork if they want to appeal.

We have had two assessment and rating visits at two different centres. Bearing in mind that all of our centres have the same policies, procedures, training, etc as

each other – it does not ring true that one centre got all ‘working towards’, and the other centre got all ‘meeting’. The other issue here is that my centres have undergone 24 QIAS validations and had been rated at ‘high quality’ in *all 24*. This is strange. It is a system that should be investigated.

It is wrong in principle for a quality-measurement and accreditation system to be based so heavily on black letter law and to be so subjective. The previous QIAS system was a much better regulatory model.

Observations on “My Child”

My operations manager and I take all the marketing/enrolment calls. My records show that I have had only 2 people get our number and or decide to call us from the My Child website. There are other websites that they can find centres on that do not cost the govt money, so the govt should do away with the My Child website and redirect those child care dollars to increased CCB and CCR for families.

16. Government Funding

Pages 34 and 35 of the issues paper raise a number of questions about funding.

I have dealt with these issues variously in the above questions.

My particular comments about nannies are in a later section of the submission dealing with the recent Melbourne University research demonstrating that diploma-trained teaching staff get better education outcomes than degree-trained teaching staff.

17. Further comment on what aspects are working well and what aspects are problematic

The whole NQS review process is a nightmare – stressed staff on the day and shattered staff when the results come back.

CCB needs doubling of Allowable Hourly Rate for children under 3 due to such costly ratios compared to 3/5s i.e. 1 to 4 for babies, 1 to 5 for 2s v 1 to 10 for 3/5s.

CCR needs cap lifted and CPI adjusted retrospectively.

Certified supervisors in small centres should need to only have the requirement of one years experience and a Cert 111. Why? In a small centre (less than 30 places) employing two diploma trained, one Cert 111 with one years experience, and one trainee – if the nominated supervisor is on annual leave, and the certified supervisor is off work injured, the Cert 111 with one yr experience could be the certified supervisor. Thus not forcing centres to contact families and have them keep their children at home and place their job in jeopardy.

The Regulations ignore an important legal and practical matter. The Regulations are looking for ways to remove responsibility from licensees (for ideological reasons).

The law however makes licensees fully responsible at the end of the day. This contradiction needs to be resolved.

First degree trained teacher must be fully funded via targeted Federal funding delivered by the states.

ECTs in small centres (under 25 places) should only be required 8 hours per week not 20% of the licensed hours. This is a disincentive for small centres to open longer hours to meet the needs of the community, especially considering those centres that chose to only open 8 hours per day only need an ECT for 8 hours per week.

Further, in the light of the extreme shortage of ECTs, it is more manageable for centres to find ECTs if they can work an 8 hour day instead of say one 11 or 12 hour day.

Also there is no point in saying the ECT does not have to be on the premises and that these hours can be done electronically because this would add greater cost to the small centres as they would need to pay the diploma trained educator for the same hours that they would be paying the ECT i.e. doubling up on the wages.

Also what does the govt think we should do with our diploma trained educators – tell them they now only have a part time job?

As there are 1083 small centres in NSW under 30 places, the govt should not force these centres to hire ECTs full time between 25 and 29 children in attendance as these centres will become unviable. Many will be forced to either reduce their numbers to 24 or close the centre altogether. When I attended a meeting in Campbelltown at the very beginning of the discussion on the NQF, there was a young girl from a community based centre who stood up and said that they had cut their numbers to 29 as they could not remain open if they needed to employ an ECT – and that was years ago, so what hope now.

In relation to staff training/qualifications, Governments are pushing school students to take up school based apprenticeships. This is a common sense approach for many industries. However, my years of experience as a facilitator of Certificate 111 Traineeships to young people in my centres, tells me that for early childhood education and care, school-based apprenticeships are not the best way. The centre based Certificate 111 traineeship consists of 12 months on the job training accompanied by the course work for the Certificate 111 which allows the trainees to put into practice in real time all the things they are learning in their course work. This is a brilliant system as it ensures both experience and qualifications and enables the trainee to decide from experience if indeed early childhood education and care is their passion before they continue with their studies to Diploma and then Degree level. All of this study, up to and including Degree level can be carried out via distance education/correspondence while the 'student' is being paid a salary and not being dependent on government financial assistance to live. Such is the success of this system, 4 of my 8 centres have Nominated Supervisors who began their Clovel journey/career as a Clovel trainee. Of my 57 staff members, 29 have either completed or are completing their traineeship with Clovel. We call this 'growing our own

talented educators'. This system works best for students, best for children, best for the families, and best for the centres.

The former Clause 66 (2) in previous NSW childcare regulations should be reinstated to give LDC centres the flexibility to allow an educator remaining in the relevant room to write out an incident report without receiving a letter alleging breach of the regulation for being 'out of ratios'. This is a good example of how black letter law could be used to threaten regulatory breach and thus undermine the whole quality improvement and accreditation ethos. Clause 66 (2) of the previous NSW Regulations must be introduced in the National Regulations to get us back to the required flexibility.

18. Appropriate Qualifications for LDC teachers – Relevant Research

I draw the Inquiry's attention to recent Australian research-- *Early Bird Catches the Worm: The Causal Impact of Pre-school Participation and Teacher Qualifications on Year 3 National NAPLAN Cognitive Tests*, by Diana Warren and John P. Haisken-DeNew, referenced in the Issues Paper.

The Melbourne Institute of Applied Economic and Social Research Working Paper of October 2013 is the "first analysis for Australia to evaluate the impact of attendance at pre-school programs on matched Year 3 nation-wide NAPLAN test outcomes in the domains of Numeracy, Reading, Spelling, Writing and Grammar".

The Working Paper examined "the role of pre-school teacher qualifications by examining the impact of the qualification of the teacher on Year 3 NAPLAN outcomes."

Like a lot of people, the researchers had assumed that higher level teaching qualifications would result in higher scores:

"We would expect that children attending pre-school programs with teachers having higher qualifications would attain higher test scores, compared to those whose pre-school teachers had lower qualifications."

The results show the reverse.

I quote the relevant excerpts and ask that they be given very serious examination:

"Among children who had attended a pre-school program in the year prior to formal schooling, *average NAPLAN scores were highest among those whose pre-school teacher had a diploma-level qualification in early childhood education or child care, and lowest for those whose teacher had only a certificate-level qualification.*" (my emphasis)

"*Compared to children whose pre-school teacher had a diploma-level qualification, average NAPLAN test scores were slightly lower for children whose pre-school teacher had a degree qualification.*" (my emphasis).

This result will come as no surprise to people who, like me, have come to understand that teacher effectiveness is not simply a matter of teacher qualification. Previous Productivity Commission research in to the early child-development workforce issues covered this ground.

But my many attempts over the years to convince regulation-makers about the truth of that proposition have been met with disbelief. It seems to go against the grain of what passes for commonsense to accept that diploma-trained teachers could be more effective than degree-trained teachers. In play based parenting support settings, they are. Now our own Melbourne University research supports my experience.

I am delighted that, at last, decision-makers have the benefit of good-quality research to confirm what experienced LDC practitioners have long known and advocated.

It is research which should be used to inform many aspects of the Inquiry's investigation, including several questions in the Issues Paper. Previous Productivity Commission research in to early child-development workforce issues touched on this ground.

On this research, our diploma trained teachers get better results.

On no account, therefore, should our diploma-trained teachers be treated by policymakers as anything other than at least the equal of our degree-trained teachers. And on no account should we be forced to replace our well performing diploma trained teachers who are achieving such great results for the children they teach with their more expensive counterparts – degree trained teachers - just to keep the powerful education lobby happy.

The funding and regulatory implications for Long Day Care are enormous:

- There are potentially big cost savings – for parents and especially for governments.
- Big improvements in operational flexibility.
- And big increases in the availability of teaching staff.

The second research is important for informing the Inquiry's investigation into taxpayer subsidies for parents who use nannies.

I attach a link to overheads used by Professor Michael Keane, the AIC Federation Fellow at the University of Technology Sydney, in August 2007. His speech, "*Effects of Childcare on Child Cognitive Development*", referenced in the attached slides, is summarised for present purposes as follows:

The Problem

- Kids placed in day care tend to score slightly higher on standard cognitive ability tests (PPVT, PIAT) than kids cared for at home by the mother.
- But mothers who work also have higher IQ scores, education levels, etc., than mothers who do not.

- Are the higher test scores of the day care kids due to an effect of day care?
- Or just smarter mothers having smarter kids?
- Can we find some real world event that roughly mimics the idealized controlled experiment?
- A good candidate is the U.S. welfare system reform of the mid-1990s. By historical accident, most welfare benefits in the U.S. are targeted at single (lone) mothers

Proposed solution

- This procedure attempts to get around the problem that mothers who work tend to have higher IQ, education, etc. than those who do not
- By comparing outcomes for children of “similar” women who stayed home under the old policy regime but use day care under the new policy regime

Results

- “Formal” child care has no adverse effect on test scores whatsoever
 - centre based care
 - Pre-school
- “*Informal*” Child Care (e.g., relatives, friends, home care) has a large negative effect (my emphasis)
- Each year of informal care reduces IQ scores 3.5% (my emphasis)
 - reduces chance of going to college by 2.1 points

Summary of Results

Type of Care / Type of Mother - Informal care - Formal care

High Education mothers, using informal care, is a “Really Bad” outcome for the child.

High Education mothers using formal care – “No Problem”

Low Education mother using informal care- “Somewhat Bad”

Low Education mother using formal care – “Good !!***** Except, the evidence statistically weak.”

Application to government funding of other models

There are those who argue that childcare subsidies should be extended to parents to employ nannies, simply because of the workforce participation benefits for parents. I expect that proponents will want to gloss over the child-development aspects, and when the issue emerges, claim that nannies are only a name change away from ‘educators’, or that LDC’s early learning expertise is not important and doesn’t really matter, so therefore it doesn’t matter if nannies don’t supply it.

This is where the LDC’s marketing problem comes into play. Lots of Australians don’t see much difference between LDC and nannies. To many, they are each just outsourced child-minding.

What the above US research makes clear, however, is that there is likely to be a discernible negative impact on IQ, and thus on child development and later schooling,

as a result of using a model which, generally speaking, does not and can never deliver the same level of early learning and child-development support as can be achieved in regulated LDC early learning centres.

That research, however inconvenient for the proponents of extending subsidies to nannies as just another form of ‘childcare’, must not be allowed to be buried.

The discussion about possible subsidies for parents using nannies must not be allowed to proceed on the basis that the general standard of early learning and child-development would be the same across both models.

Or that there were no consequences for children’s learning and development potential from no longer accessing regulated LDC early child-development and care services in favour of informal care in the parent’s home.

Whatever else happens, any arrangements for nannies must not be allowed to impact unfairly on regulated LDC, in the sense of undoing the good work that has been done over generations to get the system to the world-class level it is now at.

There is a lot of dumb LDC regulation. Those problems need to be fixed. But we don’t want to create a scenario where the LDC sector clamours to get rid of the desirable parts of regulation because a potential competitor does not have the same regulation. It’s all about balance. There is LDC regulation which is needlessly burdensome. But changes need to appropriately balance other factors such as growth, performance, fairness, safety and sustainability.

The Productivity Commission often talks about a relationship between regulation and economic growth. Australia’s world-class LDC system is based on the successful partnership between government as regulator and part funder, and the private sector delivering good value for money, customised services to a well-informed public who are free to choose their supplier from many competing in a properly competitive and a generally well-regulated market place. Good-quality regulation has always had an important role.

There as a looming problem in Australia. I do not see how equivalent regulation of in-home care can be feasible or affordable. If parent subsidies are extended to nannies, but without a sensible regulatory framework to ensure proper levels of early learning quality, the risk is that the LDC sector will start to demand reductions in LDC regulation to match the lack of regulation in the nanny system.

Concluding Remarks

Thank you for the opportunity to share my experience and my ideas with the Inquiry.

I would be pleased to meet with the investigation team to expand or elaborate.